Voluntary _ Public

Date: 7/9/2015

GAIN Report Number:

Colombia

Post: Bogota

U.S. Corn Imports Poised for Record Levels in 2015

Report Categories:

Grain and Feed

Trade Policy Monitoring

Approved By:

Michael Conlon, Agricultural Counselor

Prepared By:

Anthony Gilbert, Agricultural Attaché

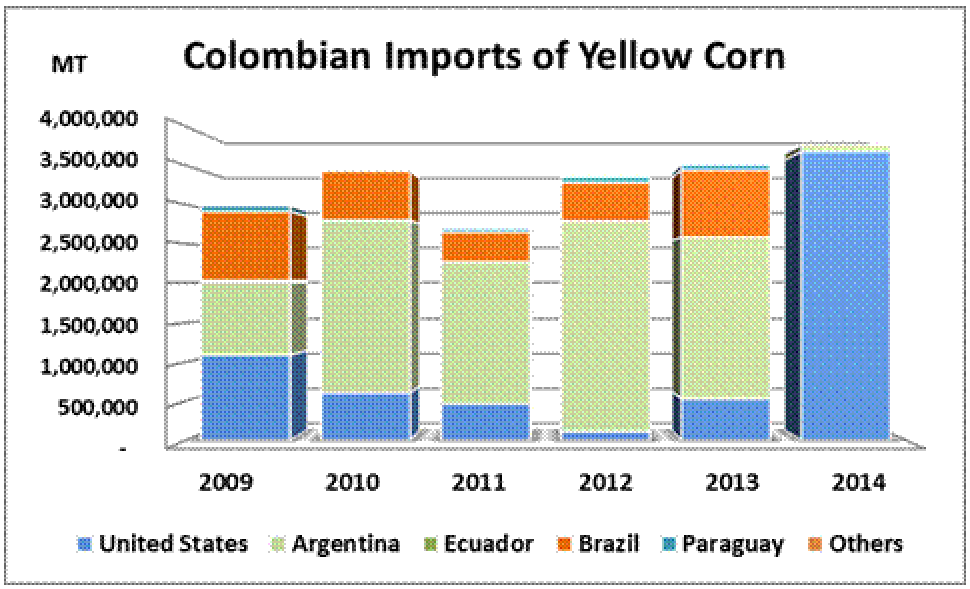
Leonardo Pinzón, Agricultural Specialist

Report Highlights:

U.S. corn exports to Colombia are dominating the market at the expense of Southern Common Market (MERCOSUR) competitors. As of June 22, 2015, U.S. yellow corn exports reached 2.43 million metric tons (MT) filling the calendar year (CY) 2015 quota and capturing about 98% of the corn import market share in Colombia to date. U.S. white corn exports to Colombia also filled the 158.1 thousand MT quota for CY 2015. Current high duties on MERCOSUR corn (above 50% in June 2015) under the Price Band System (PBS) of the Andean Community of Nations (CAN) continue to favor of sourcing U.S. corn both in and out-of-quota.

General Information:
Since the autumn of 2013, U.S. corn has dominated the Colombian market at the expense of MERCOSUR competitors. Declining price trends, in addition to trade preferences under the U.S.-Colombia Promotion Agreement (CTPA) and high MERCOSUR corn duties under the CAN PBS, have created market conditions favorable to sourcing U.S. corn. The United States has gradually recovered market share from MERCOSUR competitors since 2012 when U.S. yellow corn exports to Colombia held a meager 13% market share. Bumper U.S. corn harvests in 2013 and 2014 initiated falling prices and a remarkable Colombian market recovery for U.S. corn, up to 18% market share by the end of CY 2013 and climbing to 98% by the end of CY 2014. As of June 22, 2015, Colombia imported 2.43 million MT of U.S. yellow corn, filling the entire quota for the 2015 calendar year.

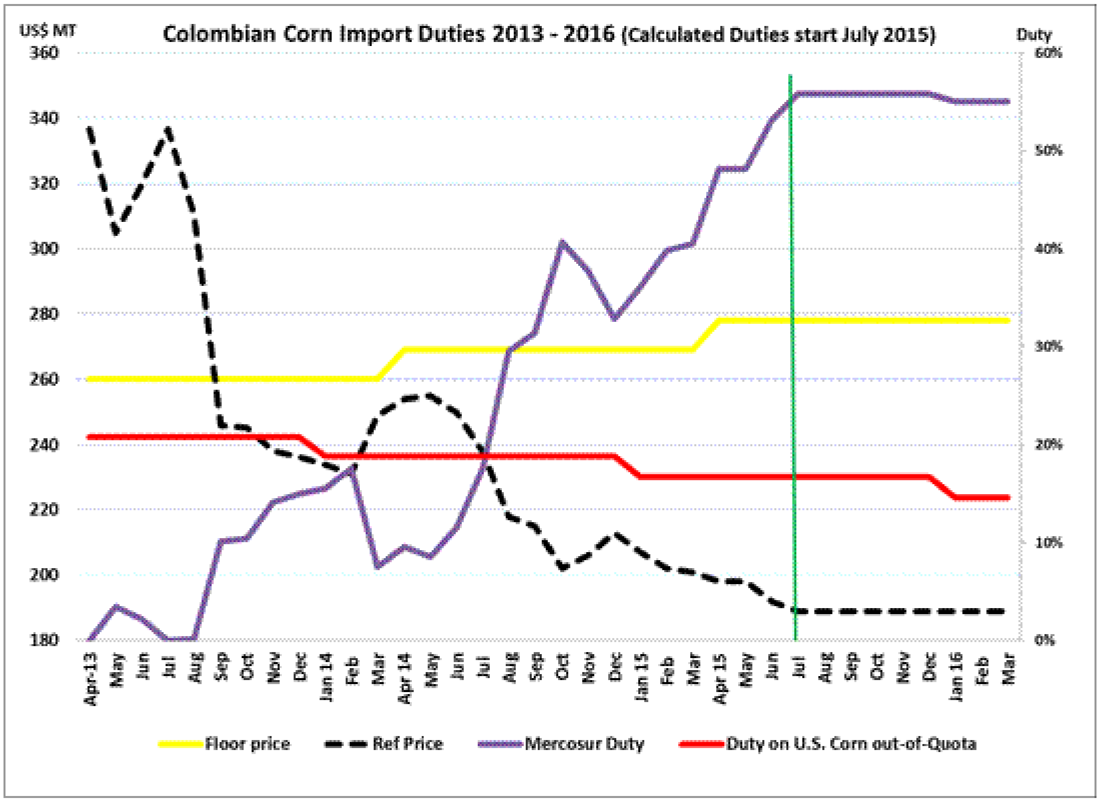
The graph below illustrates Colombia's yellow corn importing trends since 2009 from the specific the country of origin, highlighting the dramatic shift towards sourcing U.S. yellow corn in 2014.



Source: Global Trade Atlas (GTA)

Lower yellow corn prices almost completely mitigate any competitive pricing advantages Argentina and Brazil enjoyed in previous years under the CAN PBS. Colombia applies a PBS mechanism for all trading partners for major commodities, except where trade agreements establish different trading conditions, such as the CTPA, which applies an initial zero duty tariff-rate-quota mechanism instead. The Government of Colombia maintains the CAN price band for all trading partners and in the case of MERCOSUR offers duty discounts at 83 percent of the base duty plus the variable duty. This price band mechanism operates as a protective pricing policy when the international corn prices are lower than the PBS floor price, which increases the import duty. The CAN base duty is 15% for corn with a variable duty that changes every two weeks, tracking a reference price based on a 60 day CBOT running average. The variable duty increases the base duty when the CBOT average is lower than a set floor price per ton. Conversely, the variable duty will reduce the base duty when the reference price is above the price ceiling.

For the period of July 1-15, 2015, the CAN reference price (cost, insurance and freight, or CIF, at Colombian ports) for corn is USD 189 per ton, which ostensibly falls below the US$278 per ton PBS floor price. As a result, the duty on MERCOSUR corn imports is currently 56%. The graph below illustrates the reference price trend and corresponding duties to MERCOSUR corn:



Source: CAN

Falling corn prices have greatly benefited U.S. corn against export competitors in Colombia. Since the autumn of 2013, duties for MERCOSUR yellow corn have risen significantly, from 0-56% – even with the duty discount, while U.S. corn benefits from zero duties within quota and a current 16.7% out-of-quota duty for 2015. As long as prices remain low, Colombian grain importers will continue to source U.S. corn out-of-quota. USDA estimates are that 2015 U.S. corn production will be slightly less than 2014; however, prices are likely to remain stable. This scenario will continue to benefit U.S. corn's domination of the Colombian market as the fall 2015 harvest deliveries begin and into 2016.